

1. THE PORTFOLIO COMMITTEE ON SMALL BUSINESS DEVELOPMENT, HAVING UNDERTAKEN THE OVERSIGHT VISIT TO THE NORTH WEST PROVINCE FROM 27 – 31 MARCH 2023, ADOPTED ON WEDNESDAY, 24 MAY 2023, REPORTS AS FOLLOWS: -

1. INTRODUCTION

The report of the Portfolio Committee on Small Business Development (the Committee) discusses its oversight visit to the province of North West (the Province) undertaken from 27 to 31 March 2023. The purpose of the four-day tour was to survey initiatives supported by agencies of the Department of Small Business Development (the Department), namely, the Small Enterprise Finance Agency (Sefa) and Small Enterprise Development Agency (Seda), through the various financial and non-financial programmes e.g. SheTradeZA platform, SedaTechnology Programme (STP), wholesale and direct lending programmes, Khula Credit Guarantee (KCG) scheme as well as Township and Rural Entrepreneurship Program (TREP). The visit included a brief stop-off in one of the Co-operatives Incentive Scheme (CIS) beneficiary, Optimum Harvest Primary Co-operative, a land reform beneficiary and youth-owned co-operative based in Brits.

Oversight visits are mandated functions of Parliamentary Committees during which activities of the Departments are assessed. As a matter of course, the oversight visit was conducted in accordance with the Committee's responsibility to monitor the executive branch of government and promote public engagement as outlined in the Constitution of the Republic of South Africa (the Constitution). The Committees of Parliament constitute an important element of the governance processes. The visit was to also accomplish the Committee's own strategic objectives, which are rooted in the strategic objective(s) and outcome(s) of the Sixth Parliament. Following the visit, the Committee will utilise the oversight report to determine the applicability or the degree to which the Department and agency's activities on the ground are aligned with their strategic and annual performance plans. The Committee will take advantage of this oversight report to evaluate the alignment of financial and non-financial support services to the strategic plan of the Department and the needs of the sector. Lastly, the report will be used by Committee members during the assessment of the budget vote and Budget Review Recommendations reports.

2. BACKGROUND

The Committee has now visited eight (8) of the nine (9) provinces¹ since proclamation in 2014. The North West is one of the 9 provinces making up the Republic of South Africa. Mahikeng, earlier known as Mafikeng, is the capital town of the province i.e. it is home to the provincial cabinet and legislature. The province is bordered by Botswana to the north, the Free State and Northern Cape provinces to the south, and Limpopo and Gauteng provinces to the northeast and east. The North West has four (4) district municipalities, viz, Dr. Ruth Segomotsi Mompati, Bojanala, Ngaka Modiri Molema and Dr. Kenneth Kaunda district municipalities. The district municipalities are further split into 18 local municipalities. According to the North West Development Corporation², mining and community services, followed by the finance sector, are the leading contributors to the North West economy. While agriculture, finance, trade and tourism are also sectors that contribute significantly to the economy and employment in the province.

In North West, the mining sector has the wherewithal to positively impact on the establishment of infrastructure such as roads, services, and commercial enterprises which in turn may increase economic opportunities for the communities in the province. As a consequence, the Committee observed that a number of small enterprises, some on the cusp of graduating from small to medium enterprises, are active in the mining space i.e. through supply of industrial equipment and machinery to mining firms – a step forward in bridging the gap between the first and second economies. Regrettably, some of the success stories in this regard e.g. Volt Amp Technologies, Mfuneko Technologies and others, are not funded directly by Sefa but through intermediaries.

The Committee began its four-day tour of a few selected enterprises that benefited from Sefa and Seda on 27 March 2023. Twenty-two beneficiary projects and individuals – all in the North West province, were carefully chosen for appraisal with the goal of determining their state of success or failure, operational and business requirements, opportunities and challenges, effects on poverty and job creation, their alignment to local integrated development plans, provincial growth development strategy and national Economic Reconstruction and Recovery Plan. The following business owners and entities were visited by the Committee -

¹ Northern Cape remains the only province that has not been visited by the Committee since inauguration.

² North West Development Corporation is an agency of the Provincial Government of North West.

- Mahikeng Meat Market (Pty) Ltd;
- Lonaka Projects Group (Pty) Ltd;
- Small Enterprise Foundation NPC;
- Vlaarmuis Tuck-shop;
- Intellimatch Financial Services (Pty) Ltd;
- Kings and Queens Hut (Pty) Ltd;
- MC Phenyosanzamarona (Pty) Ltd;
- Kalesego Business Enterprises (Pty) Ltd;
- Blossom Bakery and Distribution (Pty) Ltd;
- Backyard Crop (Pty);
- Lesh Tuckshop (Pty) Ltd;
- Ramosesane Tselapedi Enterprise (Pty) Ltd;
- Moaludi Tuckshop;
- Ezemali Afrika (Pty) Ltd;
- Hoer Tegniese Skool Rustenburg (A public school and Ezemali Afrika beneficiary);
- Ms. Memory Chauke;
- Ms. Karabo Mulaudzi;
- Bright on Capital (Pty) Ltd;
- Volt Amp Technology (Pty) Ltd;
- Ms. Sindiswa Maome and Mr. Amogelang Boipelo Diloane (Portfolio Credit Guarantee beneficiaries. Both not available – refer to the Committee recommendations);
- OM Setters (Pty) Ltd;
- Beake Engineering Solutions (Pty) Ltd;
- ActivTask (Pty) Ltd (Trading as Vincy Cybercafe);
- Forward Finance (Pty) Ltd;
- Nyamie Berries (Pty) Ltd);
- Enable Capital (Pty) Ltd;
- Mfuneko Technologies (Pty) Ltd);
- Optimum Harvest Primary Co-operative Limited;
- Batlhako Temo Service Co-operative Limited.

3. OBJECTIVES OF THE VISIT

The aim of the visit was to evaluate progress made on projects supported by Sefa and Seda in line with their strategic plans and annual performance plans, to test the legitimacy of the information provided by agencies through their quarterly and annual reports, to interact with internal and external stakeholders in order to inform the Department and agencies future strategic plans and annual performance plans, and lastly, to ensure intergovernmental checks and balances in an effort to streamlining the Departmental and entities systems and processes.

4. COMPOSITION OF THE DELEGATION

The delegation comprised members of the Portfolio Committee on Small Business Development, Parliamentary Officials, officials from the Department of Small Business Development, officials from the Districts and Local Municipalities Local Economic Development (LED) offices as well as officials from the Small Enterprise Finance Agency and Small Enterprise Development Agency.

4.1 Members of the Portfolio Committee on Small Business Development

Ms VS Siwela, MP	(ANC) Leader of the delegation
Mr F Jacobs, MP	(ANC)
Mr HG April, MP	(ANC)
Mr TE Myeni, MP	(ANC)
Ms L Lubengo, MP	(ANC)
Mr M Mabika, MP	(DA)
Ms B Mathulelwa, MP	(EFF)
Mr Inkosi B Luthuli, MP	(IFP)

4.2 Parliamentary Officials

Mr NK Kunene	Committee Secretary
Mr S Gumede	Committee Content Advisor
Mr M Dodo	Committee Assistant
Ms N Zixesha	Executive Secretary
Ms N Mbelekane	Committee Researcher

4.3 Department of Small Business Development Officials

Ms Dipuo Peters	Deputy Minister
Mr Lindokuhle Mkhumane	Director-General
Mr Noko Manyelo	Communication & Marketing Officer
Ms Nomvula Makgotlho	Chief Director
Ms Keitumetse Mathiba	DSBD Community Outreach
Ms Zodwa Visser	Office of the Deputy Minister
Mr Don Mashele	Sefa Head of Department: Business Development
Mr Letlatse Lehane	Head of Department: Khula Credit Guarantee (KCG)
Mr Kagisho Manjinji	Regional Manager: Sefa North West
Mr Sabelo Ntshangase	Provincial Manager: Seda North West
Ms Morongwa Meseki	Branch Manager: Seda Ngaka Modiri District
Mr Mike Nyenes	Branch Manager: Seda Madibeng Local Municipality
Ms Virginia Tlhapi	MEC for North West Economic Development, Tourism and Environmental Affairs
Mr Tebogo Motase	PLO to MEC North West
Mr Collen Mokone	Chief of Staff: DEDET/ North West
Mr Frank Tlhomelang	Chief Director: DEDET
Mr Koketso Mogomobi	Speaker: Rustenburg Local Municipality
Mr Mohammed Karante	MMC Bojanala LED
Mr Thato Motsuenyane	Unit Manager: Enterprise Development, Rustenburg Local Municipality
Mr Isaac Lelaka	Regional Manager: National Empowerment Fund

5. DAY ONE – MAFIKENG LOCAL MUNICIPALITY

The group gathered at the Seda provincial office to introduce themselves, meet one another, and plan the day's events. Since the Committee's Chairperson was not present on the first day due to earlier commitments, Honourable Hein April served as Acting Chairperson and leader of the delegation. The Honourable Dipuo Peters, Deputy Minister of Small Business Development, was present as well and accompanied the Committee to several of the locations. The first day of the

Committee's schedule was set aside for visits to Mahikeng Meat Market, Lonaka Projects Group, Vlaarmuis in the presence of Small Enterprise Foundation, Kings and Queens Hut with Intellimatch Financial Services present, Mr. Mxolosi Seanyane of MC Phenyosanzamarona and Ms. Queen Seikepo of Kalesego Business Enterprises – both of whom are small tuck-shop owners and beneficiaries of Sefa's Spaza Shop Grant Facility programme in partnership with the Nedbank. However, because of time constraints, a visit to Kings and Queens Hut and Intellimatch Financial Services was deferred to the next day.

5.1 The Small Enterprise Foundation

The Small Enterprise Foundation (SEF) is a Sefa Micro Finance Intermediary (MFI) headquartered in Tzaneen, Limpopo. It is corporatised in terms of the companies act as a Non Profit Company (NPC). It is licensed as a credit provider in line with the National Credit Act (NCA) by the National Credit Regulator (NCR) and that makes it eligible to provide credit to individuals and businesses. The company was founded in 1991 and today serves 163,73 customers in seven (7) different provinces of South Africa, 99 percent of whom are women³. When the Committee visited one of its beneficiaries in the North West, the leadership of the organisation was not present. However, there was a provincial representative, who regrettably, was unable to respond to some of the questions posed by members of the Committee. For instance, members were left none the wiser regarding, among others, ownership of the company and its Broad-Based Black Economic Empowerment (BBBEE) credentials, loan amount extended by Sefa, at what rate of interest, the profile of small enterprises it supports, repayment record and so forth.

5.2 Vlaarmuis Tuck-shop

The first visit of the Committee was to Vlaarmuis, a family-owned and operated tuck-shop business in Mmabatho, Mafikeng Local Municipality. The business is a client of the Small Enterprise Foundation having been funded for a total of R8,000. Although Committee members had no opinion on the SEF business or funding model, they were nevertheless concerned about the intermediary's reported interest rates of around 29 percent. The owners of the businesses, who are primarily young and female, networked with the Committee members, the Deputy Minister of Small Business Development, officials from the Department, the agencies, the provincial

³ The Small Enterprise Foundation NPC website, www.sef.co.za

Department of Economic Development, Environment, Conservation and Tourism (DEDECT) and councillors.

Members agreed that Vlaarmuis was a typical survivalist endeavor that should not have been supported with a loan that the borrower would be responsible for repaying. The Committee expressed concern because it appeared that the relationship between SEF and Sefa was not one of a mutually beneficial partnership. For instance, there is a legitimate expectation that SEF ought to have served as the program's spokesperson when the Department and Sefa introduced the spaza shop assistance programme, which targets township and rural entrepreneurs who run spaza shops, general dealers, and grocery stores. It is plausible to assume that this information was intentionally withheld to prevent SEF potential customers from turning to Sefa. Also unknown is why Sefa does not direct RFIs and MFIs to identify or target specific market or clientele that are not in the service of the Department, Sefa or Seda – in order to ensure synergy and complementarity. The Sefa and Seda officials were not present on this leg of the visit due to a communication breakdown. In their absence, they were directed to aid Vlaarmuis in overcoming the burden of interest charges and to give the necessary support in accordance with their mandates.

5.3 Lonaka Projects Group

Lonaka Projects Group is a multipurpose agricultural project based in Mmabatho, Mafikeng local municipality. Mr. Kagiso Dirapelo is the business owner and operator. It is a potential business initiative that is well-run, owner-managed, homestead based and has the necessary skill set to operate a business of its kind. The project is co-sponsored by Sefa and Seda. The project qualified for a Sefa loan of R300,000 and R50,000 in grant funding. There is an on-site movable poultry processing trailer, hens that lay eggs for egg production, and a modern layer poultry structure furnished with equipment for cleaning and disinfection, broiler, drinking, feeding, lighting, heating and ventilation systems. On the edges of a farmstead, there are greenhouse tunnels producing different kinds of leafy greens from spinach, lettuce, tomato, leek, chives to cabbages. Compared to conventional farming, this method of farming is more resistant to adverse weather conditions. It is not risk-free but equally suitable and fit to be relied on by financiers like Sefa.

Technically, Mr. Dirapelo told the Committee that “any plant may be cultivated in aquaponics, but some plants are difficult, especially in an at-home aquaponics setup. For a plant to develop and

thrive, certain conditions must be satisfied for each species of plant. Some plants require conditions that are simple to create at home, while others are more challenging”. A good system may support the rapid and robust growth of leafy greens, fruiting plants, vegetables, and herbs. The simplest and most gratifying method is to grow leafy greens in an aquaponics system, and one excellent example of this is spinach, said Mr. Dirapelo. There was no question or doubt in anyone's mind that this initiative has a lot of potential.

The Committee was quite pleased by Mr. Dirapelo's demonstrable knowledge of the sector and the business itself. The collaboration between Seda and Sefa was exemplary of how potential projects such as these should be cushioned and padded - especially during the early stages of operation. From the activities and assets found on-site, it was evident that the project received a sizable investment in the form of the owner's equity considering Sefa's insignificant loan amount of slightly less than R300,000. The Committee further learnt that the Sefa loan was being serviced, but not sufficiently as it should. To operate beyond the breakeven point and foster business growth, the owner has identified the underlying problems and is collaborating with Seda and Sefa to address those. Members of the Committee directed the agencies to work closely with Mr. Dirapelo to ensure that the project is nurtured to the point of self-sufficiency. The Acting Chairperson thanked Mr. Dirapelo for his time and wished him well.

5.4 Kalesego Business Enterprise

Ms. Seikepo Mutla is a female owner and operator of a tuck-shop known as Kalesego Business Enterprise (Pty) Ltd. The tuck-shop is situated in Mmabatho. Ms. Mutla is a beneficiary of a Spaza Shop Grant facility under the Khula Credit Guarantee programme. The Committee members had the honour of speaking with Ms. Mutla, who took the time to outline some of the difficulties the business is operating under. She informed the Committee that due to the absence of retail infrastructure in townships, finding the ideal site for a small tuck store is often difficult as well. In addition, tuck shop proprietors frequently lack access to bulk orders and the ability to take advantage of economies of scale, which reduces their profit margins. In terms of how she started, she stated that she noticed a gap in the market since many residents in the area sometimes complained that they had to go a long way to get groceries, so she made the decision to start her tuck-shop to make it easier for the community to acquire the necessities they required, such as

food and toiletries. Tuck stores are an important part of many township communities. They have assisted people of all walks of life in creating successful lives and enterprises.

Members of the Committee enquired if she had received visits from either Seda or Sefa after she was funded, if she has any plans of expanding the business and how much she was funded for. In response, she stated that she was supported by R3,500 in 2020. Since she received funding, neither Sefa nor Seda has visited her. She replied in the affirmative, expressing a desire to grow her business should the opportunity arise. Members expressed concern at the discrepancy of information relayed by the recipient and the documents submitted by Sefa to the Committee which indicated funding of R10,500 having been advanced to the client. Sefa representatives who were present could not provide answers at the time but undertook to follow up with the national office to find out precisely what could have transpired. The Committee thanked Ms. Mutla for her time and assured her that they will keep her updated on the status of the remaining balance of R7,000.

5.5 Mafikeng Meat Market

Mahikeng Meat Market (Pty) Ltd is a private initiative owner-managed by Mr. Koerapetse Ramoenyane. The project is located between the towns of Lichtenburg and Mahikeng. Mahikeng Meat Market (MMM) is a beneficiary of the Sefa direct lending programme. It is funded for a sum total of R4,53 million. The application for finance was lodged with Sefa in 2018. However, due to the advent of the Covid-19 pandemic, its processing was delayed and could only be approved in 2021. During his interaction with the Committee, Mr. Ramoenyane told members that the business concentration is on red meat. The business specialises in the preparation, processing and value-adding of meat into beef patties, sausages, mince etc. Its target market are restaurants, hotels and random clients that want meat for weddings, funerals and various other functions. Some clients buy plain carcasses. MMM does not own cattle. Neither does it own the property or land where the structure is erected. The land belongs baRolong baRapulana Trust, and through the Communal Property Association (CPA) Act, descendants of the tribe have unrestricted access to the land.

The rapid urbanisation trend and city inhabitants' propensity to spend more on food than the lower-income population are some of the major causes of the increased demand for meat in emerging towns. This is not an uncommon trend in Mafikeng. Therefore, a business venture of this kind is typically expected to be successful given the exponential rise in processed food demand and

burgeoning business of the township Shisanyama's. Nevertheless, the more the Committee members interacted with the owner, the more warning signs that there could be a problem or threat with the business operations began to appear. Members established that Sefa loan was used to acquire two trucks, made renovations, and bought new refrigerators while the owner is getting paid from the same loan. Mr. Ramoenyane has asked Sefa for a moratorium since the loan is not being serviced. The absence of a Hazard Analysis Critical Control Point (HACCP) is cited as the foremost cause of the company's inability to operate optimally or break even. HACCP⁴ is a management method that addresses food safety by analysing and controlling biological, chemical, and physical risks throughout the production, handling, and distribution of raw materials as well as the manufacture, distribution, and consumption of finished goods. During interactions with the owner and manager of the project, members immediately realised that this is a typical initiative that Sefa sponsored without conducting adequate due diligence.

Adhering to HACCP compliance is a legal requirement for major chain stores like Woolworths, Checkers, Pick n Pay, restaurants and hotels. Seda does assist aspiring entrepreneurs comply with various standards including labelling. It is not clear how the funding was approved without these requirements. The National Credit Act (NCA) requires a credit provider to perform a pre-agreement evaluation before issuing credit in order to prevent credit from being given recklessly. The assessment's goal is to determine a consumer's ability to pay back the proposed credit within the agreement's terms and circumstances. Presently, there is no reason to think or suggest that Sefa painstakingly went through that gruelling procedure. Alternatively, Sefa could have approved

⁴ How Seda assisted Road to Exotic Taste increase turnover by more than 50% - "On its retail chain rollout, Seda recommended that the business implement HACCP. In order for products to be sold through Shoprite/Checkers stores, it had to comply with an audit by the Food Safety Association (FSA). Once a supplier complies with the South African food safety standards, the supplier's products are then placed with outlets like Pick n Pay and Woolworths as well. HACCP Implementation also assist businesses with obtaining the FSA certification. Amina's products had to comply with food label requirements. The labels also needed to be barcoded. Once the labels were approved by Shoprite / Checkers, the products could be sold at other mainstream retailers as well. The labels would also be rebranded to reflect the various product ranges. All these interventions started bearing fruit in the first year of implementation with turnover increasing by about 50% from R191 114.00 in 2011 to R305 000 in 2013".

MMM application without HACCP certificate and disbursed the money once the client complied with HACCP requirements. Reasonable care and caution was accordingly not exercised.

5.6 MC Phenyosanzamarona

MC Phenyosanzamarona is a private business operated as a tuck-shop by Mr. Mxolisi Seanyane. It is based in Dibate village, Mmabatho. Mr. Seanyane is a participant in the Sefa Spaza Shop Grant Facility programme offered in partnership with Nedbank through the Sefa Khula Credit Guarantee Scheme. When the Committee went to his store, the business was fully operational. The shop's inventory is made up of everyday items including bread, beverages, fruit, and cigarettes. He uses a rented property to run his business. Spaza stores are a crucial part of the South African township and rural economy since they give the majority of resident's access to needed items, work, and money. The Department has over the past five (5) years increased support to the sector. In 2020, Mr. Seanyane received R3500 in funding which he used to buy stock. But according to the documentation provided to the Committee, he was paid R3500 in May 2020 and R7000 in 31 March 2022.

During his exchange with the Committee, he only acknowledged receipt of the R3500 payment in 2020. He further informed the Committee that Sefa had called him the day before to inquire whether he had received the additional R7000. Members were once more concerned that the amount alleged to have been given to the beneficiary do not tally and that the facility was exclusively accessible through participating wholesalers, similar to a beneficiary the Committee had previously visited. Such wholesalers are not present in Mahikeng. Beneficiaries were thus obliged to select between Zeerust (68 kilometres), Klerksdorp (170 kilometres) or Rustenburg (195 kilometres). Members of the Committee noted that Sefa's handling of this programme was remarkably chaotic. Members found it bizarre that no one bothered to check whether money purportedly paid more than a year ago actually went to the correct recipients.

The Committee determined that the provincial offices of Sefa or Seda had little to no input on the implementation of this programme, which was done at national level. As a result, they were unaware of the location of the projects. The officials present in the oversight were unable to respond satisfactorily to some of the questions. This once again highlighted the Committee's frequent claim that the working relationship between the two agencies is poor. On behalf of the

Committee, the Acting Chairperson thanked Mr. Seanyana for his time and assured him that he should anticipate feedback from either Sefa or the Department no later than Friday.

6. DAY TWO: DITSOBOTLA LOCAL MUNICIPALITY

The second day of the Committee's official visit was dedicated to the following enterprises and individuals based in Ditsobotla local municipality: - Blossom Bakery and Distribution, Backyard Crops, Ms. Moshele Leshomo of Lesh Tuckshop, Ramosesane Tselapedi of Ramosesane Tselapedi Enterprise and Maria Moaludi of Moaludi Tuckshop.

6.1 Blossom Bakery and Distribution

Blossom Bakery and Distribution is a private initiative based in Itsoseng township, Ditsobotla local municipality. Mr. Raphuti Kgosimmele is the owner-manager of the company. The project was conceived and launched just before the Covid-19 pandemic, in 2019. The North West Development Corporation is the landlord of the area that is now occupied by the business. The project is co-sponsored by Sefa and Seda. Sefa authorised a loan amount of R349,000 plus a grant portion of R5000 under the Township and Rural Entrepreneurship Programme (TREP). The owner briefed the Committee members that he bought equipment such as ovens, mixers, weighing scales, baking trays, and other necessary utensils with the money he received from Sefa. Due to energy uncertainty, the Sefa debt is being serviced, although not adequately as it should.

Seda provided the company with marketing and promotional material, aided with participation in the Seda pop-up market, supported the business with equipment worth more than R550,000 under the Technology Transfer Assistance program (TTA), and helped with the creation of a business plan that enabled Sefa funding. In 2022, the Provincial Department of Economic Development, Environment, Conservation and Tourism (DEDECT) approved a grant funding of R200,000 which the business owner used to reinforce operations and acquired, among others, Jojo tank, refrigerators and equipment. The company's bread has not yet been given a brand name. However, Seda's assistance has already started the branding and packaging processes.

In terms of the market, Lafarge has an agreement in place wherein the business provides bread to the canteen. The business also supplies bread to 80 spaza shops in the township. There is a potential

to expand distribution to areas of Lichtenburg provided proper delivery trucks are purchased. The equipment currently on site is capable of producing 3000 to 5000 loaves of bread. It is therefore underutilised and this is stifling the growth of the business. Mr. Kgosimele demonstrated a high level of industry expertise and important business fundamentals. He informed members that in order to achieve appropriate profit margins, Blossom Bakery and Distribution must operate at a large scale. He explained to the Committee that despite load shedding, the company was still running, albeit at a reduced capacity. He also showed the group the delivery vehicle he currently uses and made it known that, in order to expand his clientele beyond the Itsoseng township, he would require reasonable investment in a generator and suitable delivery vehicles. Application for a delivery bakkie from Sefa was declined due to affordability. However, discussions with Sefa to restructure the current loan is ongoing. Mr. Kgosimemele wants to expand operations to include cakes, pastries, and other baked foods. The Committee members were impressed with this commercial endeavour and encouraged the agencies to continue giving support to the founder's vision and goals.

6.2 Ramosesane Tselapedi Enterprise 2015

Ramosesane Tselapedi Enterprise 2015 is a registered business operating as a tuck-shop in the Rooigrond area, outside Lichtenburg. It is a family-oriented business owned and managed by husband and wife, Mr. and Ms. Tselapedi. Similar to other projects visited by the Committee the day before, Ramosesane Tselapedi Enterprise 2015 is a beneficiary of the Sefa Spaza Shop Grant Facility programme. According to official information shared with the Committee, the business is funded for R10,500. However, Ms. Tselapedi explained to the Committee that the business can only account for R3500 which it received in 2020 at the height of covid-19 pandemic. She was unaware of the purported R7000 payment made in March 2022. According to the Sefa list, there are no wholesalers in Lichtenburg, which is identical to Mafikeng recipients who were severely hindered by the absence of participating wholesalers in the region. As a result, the Nedbank mobi money wallet card could only be redeemed 153 kilometres away, Klerksdorp.

The shop consists of basic commodities such as groceries, food, beverages, toiletries, cosmetics, detergents, stationery, airtime vouchers and so on. It is operated rent-free without permission, a strategy that some spaza-shop owners use to be able to reduce expenses and therefore increase

their profit margins. The issues faced by spaza stores across the nation—large merchants encroaching on their area, foreign-owned businesses, high transportation expenses, criminality, and a lack of customers and financial wherewithal to do bulk-buying – are probably comparable. “The Somalian store owners, who are not registered, have the means to purchase in bulk, and hang onto people's SASSA cards—a peculiar behaviour that a regular South African shop owner cannot even begin to comprehend or implement”—particularly enraged Ms. Tselapedi.

The members of Parliament were briefed by Mr. Letlatsa Lehana, Head of Khula Credit Guarantee, who was present during this leg of the visit, that the fund's original ceiling was R3,500. However, Sefa made the strategic decision to increase this fund to R10,500. All recipients of the Spaza Shop Grant Facility had their remaining R7000 transferred into their Nedbank mobi money wallets as early as March 2022. He said that possibly Sefa might have done better after being questioned by members about why the recipients were not called or informed. Additionally, he also corrected the information communicated the day before that the R7000 was a debt. He made it clear that the R7000 was not a loan but a grant. The Committee's Chairperson appreciated the clarity. She thanked Ms. Tselapedi for her time and for sharing her personal experience with the Committee. She gave her the assurance that the situation with the remaining R7000 will be investigated and a response given before Friday, March 31, 2023.

6.3 Moaludi Tuckshop

Ms. Maria Moaludi is the proprietor of the spaza store trading as Moaludi Tuckshop. The establishment is situated in the local municipality of Ditsobotla, outside Lichtenburg. Like other spaza shops, Moaludi Tuckshop is operated in a residential area, selling groceries, bread, cool drinks, prepaid airtime, sweets and cigarettes. The business owner informed the Committee that the financing she confirms having received is R3500, similar to the other four projects visited by the Committee earlier and recipients of the Spaza Shop Grant Facility. As before, members enquired as to whether she had received any support or visits from Sefa or Seda prior and after the funding, if she has any plans for expanding the business and areas in which she would need help in order to improve business performance. She confirmed that neither Sefa nor Seda had paid her a visit. For many local spaza store owners, the issue of foreign-owned spazas is vexing. Ms. Moaludi criticised the prevalence of illegal immigrants in the spaza shop sector, including Somalis,

Bangladeshis, and Pakistanis. She believed that South Africans should be the only ones working in this sector. She also lamented the local government's dearth of funds and lack of business support. As a sector, they feel let down by the local government failure to implement the bylaws.

6.4 Backyard Crops

Backyard Crops is a private agricultural farm initiative. The property is situated in the local municipality of Ditsobotla, Lichtenburg. Due to the absence of the business owner when the Committee visited the location, a lot of information regarding this enterprise is not known for the Committee to make any determination. ABSA is ostensibly financing the company with R4.6 million. The company consequently benefits from the Sefa Portfolio Credit Guarantee, under which Sefa will assume 80 percent of the debt in the event that ABSA client, Backyard Crops (Pty) Ltd, defaults. Sefa's Credit Guarantee Scheme provides lenders (commercial banks and other financial institutions) with a variety of credit guarantee options for SMME borrowers whose access to financing is restricted because they lack the necessary collateral. By lowering the risk premiums for banks, credit guarantee programs have become one of the key ways that governments, financial institutions, and development institutions make investment funding accessible and particularly inexpensive for SMMEs. The committee spent little time on site and directed that Sefa prepares a report detailing the status of the project for submission to Parliament.

6.5 Lesh Tuckshop

Lesh Tuckshop is a small-scale family venture operated as a tuckshop in Mantsa village, Mahikeng local municipality. The business is a recipient of the Spaza Shop Grant Facility for R10,500. The owner of the business, Ms. Mosele Leshomo, was not present when the Committee visited her premises due to prior church commitments. The Committee spoke with Mr. Rorisang Leshomo, the son, who took the time to explain to the members the challenging circumstances in which the business was run. Similar to other projects, the tuck-shop only received R3500 in 2020, and they were unaware of the further R7000 that was allegedly given in 2022. Because the business owner, Ms. Leshomo, was unavailable, interactions with Mr. Leshomo were restricted to learning a few details about Sefa support and the business itself. The Chairperson commended the family for making time to communicate with the Committee. Once more, she reiterated her commitment to following up on unresolved issues involving purportedly paid money.

6.6 Intellimatch Financial Services

The Intellimatch Financial Services (Pty) Ltd is a private company domiciled in Sandton, Gauteng. It is a Sefa intermediary that is registered under the Companies Act and has a National Credit Regulator certificate. Through its Chairperson, the Portfolio Committee had informed the Ministry, the Department and agencies in advance that it would be traveling to North West and had included a list of the retail financial intermediaries (RFIs) and micro finance intermediaries (MFIs) with whom it planned to engage. The Director and shareholder of Intellimatch Financial Service, Mr. Carrel Gopolang Makgale, was not present on the site where the Committee had planned to interact with one of his company's beneficiary, Kings and Queens Hut (Pty) Ltd. There has also been no explanation provided for his absence.

Intellimatch Financial Services was incorporated in June 2018 and licensed as a credit provider in September of the same year. It is unclear when its funding was approved by Sefa. But in March 2022, it had already begun disbursing funds to small enterprises, two of whom are from North West, Kings and Queen Hut (Pty) Ltd and Njikelane Construction and Projects (Pty) Ltd registered in 2020. Considering that on 15 March 2020, President Cyril Ramaphosa declared a national state of disaster in South Africa in line with the Disaster Management Act, following the outbreak of the novel corona virus, the Portfolio Committee cannot confirm if the intermediary complied with Sefa rules and regulations, in particular, the stipulation that RFIs and MFIs must have “a minimum track record of two years in operation, with the demonstration of retail financial intermediary lending experience”.

The Committee is noting with concern that there seems to be an information blackout about this particular intermediary. The Committee further records with great caution that the director of this intermediary is also a director of Tautona Holdings (Pty) Ltd presently entangled in a fierce battle with the South African Reserve Bank as gazetted in the General Notice 735 of 2021. In other words, Sefa approved funding to a company whose director was a subject of enquiry by the state for allegedly appropriating more than R10 million from public funds. The due diligence meticulously carried out and conducted with a high level of care, skill, and knowledge should have and would have uncovered some of the questionable material, especially because it is publicly available. Tautona Holdings (Pty) Ltd was also a beneficiary recipient of Industrial Development

Corporation (IDC) funding to the tune of R2,6 million in August 2018. The Committee is unsure whether this loan is being serviced or has already been paid off. The Committee requested additional information regarding the intermediary.

6.7 Kings and Queens Hut

Kings and Queens Hut (Pty) Ltd is a registered private company under the directorship of Mr. Keitumetse Lesego Gopane. It was registered in 2015 and its domicilium address is Peace Crescent, Mmabatho. During its oversight visit in North West, the Committee visited a trading hub where it is alleged that the business is operated but the gates were locked. Intellimatch Financial Services provided R2,9 million in funding to the business over the course of four instalments. Attempts at reaching out to the owner of the business and the funder proved futile. The Committee is awaiting further information from Sefa which will hopefully shed light on what precisely is going on with the project.

7. DAY THREE: RUSTENBURG LOCAL MUNICIPALITY

On the third day of the committee's trip to the North West province, the following small businesses and individuals were scheduled for visits: Beake Engineering Solutions, OM Setters, Mogake Legacy Holdings, Hoer Tegniese Skool Rustenburg, Ms. Memory Chauke, Ms. Karabo Mulaudzi, Volt Amp Technologies, Ezemali Afrika, Bright on Capital and Ms. Sindiswa Maome.

7.1 Ezemali Afrika and Hoër Tegniese Skool

Ezemali Afrika (Pty) Ltd is a four-year old private company based in Centurion, Pretoria. It was registered under the Companies Act in May 2019 and granted a license by the National Credit Regulator in February 2021. It is unclear when Sefa granted it approval to operate as an RFI or MFI because, by 2021, the same year it was licensed by NCR, it had already started issuing out loans. One such client is the Rustenburg-based public school Hoer Tegniese Skool. Other North West-based clients of the intermediary are DHA Mahikeng, not registered, and The Donkey Dairy (Pty) Ltd. In terms of the Sefa terms and conditions that govern how RFIs and MFIs are recruited, it is a requirement that a prospective RFI or MFI must have “a minimum of two years in operation, with the demonstration of microfinance lending” and “alignment of the institution’s operations to Sefa’s developmental objectives”. The agency policies do not contain any clauses that provide

a waiver or suspension of these obligations. It is quite evident in this situation that Sefa regulations and policies were disregarded when Ezemali Afrika was accepted into the programme. The company's Chief Financial Officer who appeared on behalf of the company stated that Sefa authorised the fund's size of R20 million around a year and a half ago.

On the other hand, Hoër Tegniese Skool is a public secondary but not a non-profit (NPO) or for profit institution. It receives all of its funding support from the government. Accordingly, funding of the public facility is not in line with the Sefa's mandate. Ezemali Afrika approved funding for the school to lease but not acquire printers. In terms of the arrangement, Ezemali Afrika would pay the supplier to lease printers to the school and would later send invoices to the school. The intermediary is effectively serving as a middleman. It is ridiculous how this whole arrangement is set up. Once more, the type of activity being carried out by the intermediary does not complement Sefa's mandate which is to support small enterprises financially. When the Committee visited North West province, schools were on recess. It could not therefore interact with the school's management and governing body to understand how was this loan acquired and how does it assist the school. In response to questions posed by members, the Committee was told that the rate of interest charged by the intermediary to its clients varies depending on the prevailing repo rate and what Sefa charges. However, an average mark-up of 5 percent is usually levied to help the intermediary cover its overhead costs. On the question of ownership, the Committee learnt that black ownership makes up 51 percent of the business.

7.2 Bright on Capital and Volt Amp Technologies

Volt Amp Technologies (Pty) is a black-owned firm based in Rustenburg. Since its founding in 2018, it has experienced exponential growth. The company provides engineering, design, manufacturing, repairing, and installation to industries and mines. Volt Amp Technologies offers transformer and related product repair services to the highest quality and safety standards. It investigates failure and provides project status reports for all services and repairs performed for its clients. Mr. Karabo Masoko, the Managing Director and shareholder of the company, welcomed members of the Committee and took them through the operations and processes. Volt Amp Technologies has a stable clientele that includes but not limited to Coca-Cola, Eskom, SABS, Royal Bafokeng, Nestle, Sibanye Stillwater and Transnet. Due to the increasing sales pipeline, the company embarked on expansion plans and acquired new equipment and machinery. It was funded

by Bright on Capital (Pty) Ltd, a Sefa intermediary that was founded in 2014. The intermediary is headquartered in Port Elizabeth, Eastern Cape but has offices in Gauteng. It was licensed as a credit provider in 2015. It is a black-owned online lender that offers small and growing businesses with sustainable growth prospects and finance options for working capital that is economical.

The intermediary funded Volt Amp Technologies (Pty) Ltd for R2,6 million when the company needed the loan to expand the business operations. Once again, no one from Bright on Capital was there to speak with Committee members as planned. Members probed Volt Amp Technologies' decision to not contact Sefa or commercial banks concerning expansion plans. They also inquired about the interest rate the intermediary charged. In his briefing to the members, Mr. Masoko explained that he had just recently discovered that he had actually borrowed money from the government through a third party who had at one point imposed a 22 percent interest rate. Sefa members who were present were asked the same question on the rate: how much interest would Sefa have charged the company if Sefa had been approached directly by the company? The reply was that Sefa typically adds three to five percent to the repo rate. The members' main concern with intermediaries is that Sefa has a responsibility to offer developmental credit as a development finance institution, which implies low payback rates. However, rather than Sefa's target market and end-users, such as informal traders, spaza shop owners, small businesses, and co-operatives - middlemen or intermediaries end up being the biggest beneficiaries. Members commended the Managing Director for making them feel welcome and advised him to speak with Sefa directly for any future financial needs.

7.3 Visit to Msses. Karabo Mulaudzi and Memory Chauke

Msses. Karabo Mulaudzi and Memory Chauke are both beneficiaries of the Informal Traders Support Programme. They were each funded for a once-off grant of R3,000. The programme was designed to soften the impact of the pandemic particularly on the needy households. The grant would be awarded to selected informal traders through the Nedbank Mobi Money wallet. In terms of the programme guidelines, Sefa only considers applications prepared and submitted by trading forums and associations, local municipalities through Local Economic Development (LED) offices or through Small Enterprise Development Agency regional offices. The Committee networked with the recipients who benefited from the programme to ascertain what they did with the money, how did it assist them and other assistance they require from the Department. Members

queried as to why in this case, compared to the spaza shop programme, amounts were not the same. Informal traders receive R3000 while spaza shop owners get R3500 plus a top-up of R7000. What makes the spaza shops more formal than informal traders? Sefa provided a background that the programme was introduced in 2020 just before the Covid-19 debacle ensued.

The distinction between the two was that because spaza stores are situated where they conduct businesses, in other words, stationed in one place, they are most likely to incur overhead expenses like rent, electricity and levies. Whereas informal traders, who resemble street vendors, typically operate in public places, such as outdoor areas, transportation hubs, and construction sites, where they offer goods like candy, popcorn, and food. Spaza shop trade is considered to be a step above informal trading and this consideration affected how both programmes were designed. Members also asked how, where, and how informal traders redeem money if it comes in the form of a voucher. Members were notified that Sefa, Associations, and Nedbank are working together on this program. Nedbank cards, referred to as Mobi Money wallets, were issued to informal traders. Cards can only be redeemed at participating wholesalers. In this leg of the visit, the Committee was accompanied by ward councillors who informed the members that the Boitekong trader's stalls were nearing completion. They undertook to facilitate trading space for both informal traders.

7.4 OM Setters

OM Setters (Pty) Ltd is a youth female-owned business based in Phokeng, Rustenburg. Ms. Oteng Molotsane is the sole director of the company. The business is financed by Sefa for a loan amount of R336,000 and a grant of R50,000. She started the business first by attending numerous trainings offered by National Youth Development Agency (NYDA), Royal Bafokeng Enterprise Development (RBED) and Seda. These trainings were very helpful in terms of sharpening her business awareness and acumen. Around from 2016 to 2020, she was mostly involved in the catering business using a food trailer. The Covid-19 lockdown negatively impacted her catering business. She then ventured into other forms of business such as landscaping and general maintenance in mines. She explained to the Committee that she is getting opportunities with Bafokeng Rasimone Platinum Mine (BRPM) and Fraser Alexander to do landscaping for them. Even though these are not long-term based contracts but they do make a difference.

When she got opportunities from the two mentioned companies, she approached Seda for assistance and got approved for Technology Transfer Assistance to the tune of R450,000. She told the Committee that landscaping is a lucrative field. While starting a landscaping business is not the cheapest, as it entails the cost of tools, equipment and business registration fees, it is not the most expensive either. She emphasised the importance of owning the equipment. As a result, if her company is not hired, she hires her equipment out. With the money she got from Seda, she used it to acquire brush-cutters, blown-mower, chainsaws, wheelbarrows, shovels, pruning shears, powered landscaping tools, hedge trimmers, weed wackers etc. Other companies in the area like Sibanye Stillwater, have opportunities that requires her company to meet certain requirements and standards which are sometimes costly and unaffordable. She currently employs six (6) permanent people and five (5) temporaries. She was servicing the Sefa loan but not as sufficiently as she was supposed to. However, she was working with both agencies to recapitalise her business because opportunities are there, they need one to have access to working capital. The Committee was pleased by Ms. Molotsane's compelling presentation and her entrepreneurially adventurous attitude. On behalf of the Committee, the Chairperson thanked her for finding time despite her busy schedule to brief the Committee.

7.5 Beake Engineering Solutions

Beake Engineering Solutions (Pty) Ltd is a 100 percent black-owned company based in Boschdal, Rustenburg. The company was registered in 2013 with a particular focus on providing mining engineering services and products. Even though Beake Engineering Solutions is a relatively young company by the standards of the South African mining sector, it has established a solid reputation as a trustworthy partner to many operators in the North West province and beyond. With its primary services being continuous process equipment maintenance, plant design, and equipment installs, the company is an interface vehicle that guarantees that the firm is constantly present with mining clients to address their daily issues. The corporation directors networked with the Committee members and shared their inspiring journey. They define the philosophy of the organisation as “a value-driven company that helps customers achieve their business goals by providing responsive mining and engineering services and products using techniques and means that demonstrate respect for our natural environment and for other people”.

Beake is a recipient of direct lending from Sefa to the tune of R11,6 million and R2,1 million in grant funding. The directors, who welcomed the committee members and gave them a tour of the facility, told the committee that the funds helped the company expand its operations and fulfill an increasing number of orders from clients. The company is renting a property that was inherited from Bophuthatswana by the provincial government through the North West Development Corporation. It entered into a 10-year lease and renting an amount of R50,000 every month. While on one hand it is servicing a Sefa loan of R200,000. Like all other small businesses, load shedding-related challenges are threatening the success of the business. Furthermore, the lease arrangement is excessively short when one considers the amount of investment done in the property, which was merely an open space when they took over. The business is no doubt a successful venture on the cusp of becoming a medium-sized company. The company's three divisions, Beake Engineering Solutions, Beake Manufacturing, and Beake Mining, together employ 60 employees. The business is without difficulty repaying the Sefa loan. Members were quite impressed by the business which served as a testimony that anything is possible. The Department was directed to look into the issue of the lease duration. The Chairperson thanked the management and wished them well.

7.6 ActivTask

Vincy Cybercafe, formally registered as Activtask (Pty) Ltd was founded in 2014 by Mr. Seabata Vincent Tladi. The company benefited from Sefa direct lending for an amount of R105,000 plus R5000 in grant funding. The business is operating as an internet café in the Marikana area. It does printing, duplex printing, bulk printing, email, faxing, laminating, flyers, business cards and design etc. As part of its scheduled visit the Committee went to see Mr. Tladi's operations to determine if indeed he had received the money, what did he do or buy with the money, and future plans where the Department and agencies could assist him to scale up operations and take his business forward. He informed the members during the briefing that he purchased an all-in-one industrial printing equipment with the loan he received from Sefa to assist him with mass printing. He did, however, confirm that the machine was not there, but rather in a Randburg, Gauteng, internet café.

Members questioned whether it was appropriate for a North West entity to request support to buy equipment for use in another province and whether Sefa was aware of the equipment's whereabouts. Not too many responses were forthcoming in this regard. Mr. Tladi informed the

Committee that he was making little payments when he had enough savings in response to the question of whether the loan was being serviced. The Committee expressed concern that even the first-floor area his company was using was insufficient to house the kind of printer he claimed to have purchased. The members of the Committee decided that Sefa should draft a report outlining how this situation will be resolved.

8. DAY FOUR: MADIBENG LOCAL MUNICIPALITY

The last day of the visit was earmarked for interactions with Forward Finance, Nyamie Berries, Enable Capital, Mfuneko Technologies, Optimum Harvest Co-operative Limited and Batlhako Temo Service Primary Co-operative Limited. On its way towards Gauteng, the Committee was invited by Seda to pay a courtesy visit to a pop-up market at Brits Mall. The aim of this initiative is to assist SMMEs and co-operatives with access to markets. Seda's Pop-Up Markets programme has been rolled out nationally in South Africa since 2021. It is providing much-needed market access and exposure to local markets for SMMEs and co-operatives. Pop-up stores are another effective technique to boost sales without spending additional money on attracting new customers online. Although they could appear to be conventional stores, many brands use them to design distinctive, interesting in-person shopping experiences.

8.1 Forward Finance and Nyamie Berries

In the preliminary report of the Committee, Forward Finance (Pty) Ltd is referenced as the KwaZulu Natal based intermediary that funded Nyamie Berries (Pty) Ltd. The report correctly pointed out that the entity was registered in 2011 and licensed in 2013 as a credit provider by the National Credit Regulator. Forward Finance (Pty) Ltd provides a variety of innovative financial solutions for its clients who are mainly farmers and agri-contractors. Some of the products are early payment on delivery and cash flow facility which basically provides the farmer access to cash throughout the season. However, according to the most recent report from Sefa in a rejoinder to the Committee's preliminary findings, the correct entity doing business with Sefa is actually Forward Finance Accelerate (Pty) Ltd. It is the same intermediary that provided R53 million to Nyamie Berries (Pty) Ltd.

Forward Finance (Pty) Ltd and Forward Finance Accelerate (Pty) Ltd are two independent entities with the same directorship. The former is NCR-licensed, whilst the latter is not. Once again, the absence of intermediary profiles and a lack of systematic and methodical responses from Sefa forbids the Committee the ability to fully grasp whether unlicensed intermediaries are qualified to engage in the MFI and RFI programmes, or whether sister companies can be utilised for the same purpose. The ownership of the intermediary, loan amount extended by Sefa, at what rate of interest, the profiles of small enterprises it supports, repayment record and so forth cannot be determined. Nyamie Berries (Pty) Ltd is a private company based in Paarl, Western Cape. However, the project that the Committee visited is located at R104, Mooinooi, North West. The Australian High Commissioner, in South Africa, Gita Kamath visited the project in August 2022. The project was branded as United Exports' flagship blueberry farm. Most governments, including South Africa, encourage and support foreign direct investment since it may be a significant source of capital, employment, skills, technology, and revenue. If this is one such project, the Committee applauds the initiative. However, in order to carry out its legal responsibility of exerting oversight over the service delivery performance of State Owned Entities (SOEs), it is required to understand the projects and programmes being implemented by entities reporting to it.

It is understood that the project is financed through a portion of the 30 million Euros that the European Union Commission allocated to Sefa for the Employment Promotion via the SMME Support Programme (EPSSP). In the year under review, Sefa was given access to the 10 million euros for on-lending through the Enterprise and Supplier Development (ESD) window. The remaining 20 million euros, meanwhile, was set aside for an innovation window that will be funded in subsequent years. According to Sefa, the cash gave the agency a chance to expand its reach, bring in private sector investment, boost access to finance, and scale up its support for SMMEs. When the Committee visited the project, neither Forward Finance Accelerate (Pty) Ltd nor Nyamie Berries (Pty) Ltd management was present on site. Sefa officials present could not respond to some of the queries posed by members. As noted hereinabove, the Committee has been furnished with a report to assist it in making definitive recommendations as regards the oversight visit.

8.2 Enable Capital and Mfuneko Technologies

Enable Capital (Pty) Ltd is a private company that was registered in July 2018 and licensed by National Credit Regulator in June 2020. It is based in Paarl, Western Cape. One of its clients is Mfuneko Technologies (Pty) Ltd, based in Brits, North West. Mfuneko Technologies was funded by Enable Capital to the tune of R2 million. Enable Capital (Pty) Ltd specialises in providing short-term funding solutions to subcontractors involved in the physical construction and deployment of local, regional and national fibre network infrastructure in South Africa. By using an invoice discounting model to help relieve cash flow constraints, Enable Capital offers creative financing options to subcontractors through its unique technology and platform. Invoice financing gives small business access to funds when cash flow stalls. The Portfolio Committee is on record as having expressed support for innovative funding methods such as invoice discounting and cession of contract or income to alleviate pressure on fiscus. However, it does not help the process much if the government is the source of those funds.

Members of the Committee enquired from Sefa why Mfuneko Technologies had to apply for funding via an intermediary and what implications do that have on the profitability of Mr. Botha's business, the director and shareholder of Mfuneko Technologies. Sefa replied that the agency lacked the internal capability to handle some of the more intricate funding applications. As a result, Sefa outsources to intermediaries who are qualified and knowledgeable regarding those specific sectors or businesses. Therefore, by engaging in direct, extensive business dealings with suppliers and service providers, Enable Capital is able to address specific issues that the subcontractors are experiencing, such as equipment rental, the delivery of building materials, and diesel. Enable Capital representatives were not available to interact with the Committee. As a result, not much is known about the company e.g. its BBBEE credentials, total sum funding approved by Sefa, at what rate, profile of the intermediary clients and type of activities that are funded by the intermediary etc. The Chairperson thanked Mr. Botha for his time and advised him that, wherever possible, he should in future approach Sefa direct for funding.

8.3 Optimum Harvest Co-operative Limited

Optimum Harvest Co-operative Limited is a youth-driven initiative based in Brits, North West. It is a five-member business venture conceptualised in 2013, and operated informally until incorporation in line with the Co-operative Act in 2014. Total financial assistance received from

the Department of Small Business Development is in the region of R800,000 broken down into a Co-operative Incentive Scheme (CIS) grant portion of R320,000, assistance from Seda with the development of a business plan and promotional and branding material as well as training intervention. During the briefing members of the Co-operative informed the Committee that with CIS, they improved the irrigation method from flush to installing a new drip irrigation system which resulted in a significant improvement to the yield and income. The Department of Agriculture assisted the project with R2 million which it used to reinforce operations in the farm, build a new dam, bought new equipment and paid stipends for farm employees. In addition, the National Development Agency supported the project by R50,000 which the co-operative used to acquire the new transformer.

The lack of farming equipment prevents the project from being completely functioning at the moment. One of the major problems the co-operative faces is a lack of adequate farm equipment, which makes it challenging for them to adapt to the requirements of modern agricultural methods. They typically hire tractors and other implements for farming. But because certain tools are not always available, they cannot plant when it is time. Only about 30 hectares of the farm's 120 hectares are currently in use. The farm specialises in planting crops like lucerne, soybeans, and wheat. There are numerous other challenges that they are grappling with, a lot of barriers to entering the market and big guys monopolising the industry. Co-operative members pleaded for additional support since the nation needs more farmers to produce food. South Africa's young unemployment rates are also over four times higher than the global average. The co-operative has four year-round employees and more than ten seasonal employees. The co-operative's members asserted that the farm has the potential to generate a significant amount of employment for the community if appropriate restructuring and reorganisation of the farm were to be carried out. The Committee ordered Seda to conduct an analysis of the co-operative's business operations with a view to allocating the required resources to scale up agricultural activities as it called for the adjournment of the meeting.

8.4 Batlhako Temo Service Primary Co-operative Limited

Batlhako Temo Services Primary Co-operative is a family-run operation based in Brits, North West. This is one of the most progressive projects visited by the Committee operating and located

in Brits. A five-person co-operative is currently exporting fruit to Taiwan and the Middle East. Seda has been with the Co-operative since 2010. It first approached Seda when individual members were farming sunflower on their personal farms. The members sought advice on how to become self-sufficient. According to Seda's initial analysis, the Co-operative was not registered. The co-operative had a skewed partnership with Obaro where most of the proceeds would go towards payment of seedlings, diesel, and harvesting equipment. As a result, the individual farmers did not experience any growth. The Seda interventions included aiding in co-operative registration, and implemented training on growing vegetables and sunflowers.

The co-operative was also referred to Land Affairs for information on buying or leasing a farm. To supply Magalies Citrus, they bought a 60-acre citrus plantation with a 10 percent share. They were later hired to supply Sir Juice, who in turn hired a bookkeeper, bought a new engine for their truck, and supplied them with a technician to maintain their truck under their supplier development program. Seda also offered export training and helped the co-operative establish a bankable business strategy. These interventions put the co-operative on a new course, one that included obtaining funding from the Departments of Agriculture and Rural Development. Their assets and turnover both increased as a result, and they were able to start supplying the Tshwane Fresh Produce Market. It is currently the province's top citrus grower. The North West Department of Agriculture and Rural Development is leasing 61.5 hectares of land to the co-operative.

Ms. Lerato Dintwe, one of the co-operative's five founding members, informed the Committee members that the co-operative initially grew sunflowers before expanding into the citrus industry. She mentioned and praised the government, first, the assistance offered by Seda, the Department of Rural Development which contributed more than R1.6 million in funds between 2014 and 2017 to upgrade the irrigation system and to arrange the office space and logistics. The Department additionally gave technical guidance, which allowed the farm to raise output levels. The co-operative is a member of the Citrus Growers Association, which normally aids its members in becoming internationally competitive.

The co-operative currently employs over 70 seasonal workers in addition to 10 permanent employees. 16 000 citrus trees are present. In addition to its export contracts, the co-operative also provides services to regional businesses. The Co-operative briefed the Committee in a freshly

constructed pack-house that Rural Development paid for approximately R15 million. The Co-operative's members were sure that the pack-house will significantly reduce costs and eventually result in the Co-operative hiring perhaps more than 200 employees. The Co-operative members who networked with the Committee vowed to grow their presence in the global market with a key focus on job creation and empowering black farmers. Due to inclement weather condition, the Portfolio Committee inspected the project from a distance. But it was quite pleased with the vision and how the business is run. The Chairperson urged Seda to keep supporting the Co-operative and actively seek out measures that will advance the project alongside the Department.

9. COMMITTEE OBSERVATIONS

Following the North West oversight visit to initiatives supported by Sefa and Seda, the Portfolio Committee has made the following observations for consideration by the Department : -

- 9.1 After the Committee visit in North West province and directives from the Committee members to collate more information and data about some of the projects and programmes, the Chairperson wrote to the Department and Sefa requesting supplementary information to enable the Committee make an informed judgement and plan the next steps regarding some of the projects.
- 9.2 The Committee further notes that a scheduled meeting with intermediaries who did not partake in the oversight visit as invited by the Committee was postponed at the behest of the Minister in order to allow Sefa sufficient time to prepare its report. The intermediaries are Intellimatch Financial Services (Pty) Ltd, Bright on Capital (Pty) Ltd, Forward Finance Accelerate (Pty) Ltd and Enable Capital (Pty) Ltd. The Committee has since received the Sefa report and has taken note of the responses provided therein.
- 9.3 During the oversight, members of the Committee expressed concerns about a number of issues regarding Sefa's wholesale lending programme, and stated that, in its current formulation, the programme contains too many ambiguities and does not appear to support the agency's original objectives and aims of facilitating financial inclusion. Some of these concerns are referenced in the Sefa report but not adequately addressed. With respect to wholesale lending the Committee made the following observations: -

- 9.3.1 The sample of the intermediaries under observation do not comply with the lending procedures as stipulated in the National Credit Act. They charge the interest rate beyond the required limit for a developmental credit. Committee members were not impressed by the Small Enterprise Foundation's reported 29 percent interest rate against a survivalist business venture trading as Vlaarmuis Tuckshop. The Committee also took note of the purported rate of interest imposed against Volt Amp Technologies (Pty) Ltd.
- 9.3.2 Based on its own calculation the Committee observed that intermediaries increase the cost of credit for the recipients or end-users who are ultimate Sefa beneficiaries. According to Sefa, intermediaries obtain prime lending rate plus 3 to 5 percent on average but charge double or triple what Sefa charges. Sefa does not specify the rate at which intermediaries should on-lend. It also does not set or determine the percentage of mark-up.
- 9.3.3 Sefa does not supervise or monitor the rate of interest that intermediaries charge their clients. It sees this as a unique responsibility of the regulator, the National Credit Regulator. However, the shortcoming is that the regulator often reacts and investigates only when a complaint is filed against the credit provider.
- 9.3.4 Some of the projects funded by intermediaries do not conform to Sefa's mandate of supporting small enterprises as defined in the National Small Enterprise Act (1996) e.g. funding of a school. Besides monthly or quarterly reports that intermediaries submit to Sefa, the agency does not actively monitor or verify the authenticity of information it receives from the intermediaries.
- 9.3.5 When it selects RFIs and MFIs to partner with, Sefa does not impose any conditions, such as BBBEE standards or transformation agenda that each intermediary must comply with. As a result, the majority of intermediaries on the Sefa database are white owned. Intermediaries themselves, are not obliged to support government transformative efforts yet they are given free pass to public purse.
- 9.3.6 The Committee notes Sefa's annotations in its report that "National Credit Regulator Certification, the National Credit Act requires that all financial intermediaries that lend below R250 000 register with the National Credit Regulator. All the Sefa funded intermediaries that lend below R250 000 are registered with the NCR and comply with the regulations and report to the NCR on the performance of their lending activities". These responses, however, do not address or educate the Committee on why or how companies

like De Novo Medical Solutions (Pty) Ltd, a Sefa intermediary, entered into intermediary agreement with the agency when it is not licensed as a credit provider by NCR.

- 9.3.7 Furthermore, the Sefa submission does not comprehensively inform the Committee about how Forward Finance Accelerate (Pty) Ltd entered into a similar agreement with the agency despite the fact that it does not have a license from NCR. The Committee's initial report incorrectly identified Forward Finance (Pty) as the intermediary that funded Nyamie Berries (Pty) Ltd. Of course, the fact that these are independent legal corporations owned by a single director is strange. Moreover, the agency's responses do not deal with the Committee's concerns about Nyamie Berries (Pty) Ltd's ties to Australia, whether this company is a subsidiary of an Australian firm. The committee still has limited information at its disposal. As a result, it is left to speculate and unable to adequately discharge its responsibility to examine Sefa's programmes as mandated by the constitution.
- 9.3.8 Unlike direct lending where Sefa recipients benefit from affordable interest rate and blended finance, intermediary clients are not extended that courtesy.
- 9.3.9 The Committee notes and welcomes the filing of a criminal complaint with the South African Police Services under Case Number CAS:409/4/2023 for further investigation in terms of the Prevention and Combating of Corrupt Activities Act (2004) following its preliminary report. However, it is still unclear against whom the criminal complaint is filed between the two directors of Kings and Queens Hut (Pty) Ltd, Intellimatch Financial Services (Pty) Ltd or both. To date, the Committee has no idea where the company is or if it even exists. During the oversight, attempts to trace both the financier and the receiver were unsuccessful. Once again, the Sefa report does not go into great length on the Committee's concerns about the nature of the due diligence performed when Intellimatch Financial Services (Pty) Ltd was approved into the MFI/RFI program. Little is known about this intermediary because of Sefa's reluctance to provide additional information as directed by the Chairperson on behalf of the Portfolio Committee.
- 9.3.10 Some intermediaries e.g. Ezemali Afrika (Pty) Ltd, Intellimatch Financial Services (Pty) Ltd and others, qualified as Sefa intermediaries immediately after licensing. This cast doubt on the effectiveness of recruitment process because, Sefa policies and guidelines stipulate that prospective MFI and RFI must have a minimum of two years lending experience. For instance, Ezemali Afrika (Pty) Ltd, is a four-year-old company registered

in 2019. It was granted a credit provider license by the National Credit Regulator in February 2021. It is unclear when Sefa granted it approval to operate as an RFI or MFI because, by 2021, the same year it was licensed by NCR, it had already started issuing out loans. As previously stated, the Committee is not given much information to enable it to carry out its responsibility.

- 9.3.11 The Committee observed that there are very good projects funded by intermediaries. Volt Amp Technologies (Pty) Ltd is one such company funded by Bright on Capital (Pty) Ltd. It is a business venture that ticks all the boxes. However, as noted above, its repayment interest is in excess of 22 percent and by virtue of having been funded by an intermediary, it also did not qualify for a grant portion benefit.
- 9.4 In terms of direct loans, the Committee visited Lonaka Projects Group (Pty) Ltd and Mahikeng Meat Market (Pty) Ltd. The Committee found significant differences between the two projects. Lonaka Projects Group (Pty) Ltd has the lowest funding but is fully operating. Mahikeng Meat Market (Pty) Ltd received the largest portion of the Sefa loan, although it is inoperable owing to poor due diligence. Both initiatives benefited from blended finance and low interest rate. In response to the Committee's preliminary conclusions, Sefa equivocates the Committee's primary concern over the nature of the due diligence conducted and who must be held to account.
- 9.5 Members of the Committee observed that Sefa does not even know the exact location of the projects it funded. Most of the projects the Committee visited had to be looked for or searched with Sefa officials. Impairments and loan write-offs are still very high because there is no post-investment support and monitoring to conduct early detection, analysis and proactive management of troubled projects. Yet Seda is present across all provinces.
- 9.6 On Informal Traders Support Programme the Committee visited two projects funded for R3000. Members noted that funding amounts between this programme and the spaza shop support programme were not the same. While informal traders received a once-off grant of R3000, spaza shop owners got R3500 plus top-up of R7000.
- 9.7 The Committee also paid visits to the Spaza Shop Grant Facility awardees. Spaza company owners were approved for R3500 at the height of the Covid-19 outbreak in 2020, according to evidence submitted to Parliament. Sefa, on the other hand, later made the strategic decision to increase the size of this fund to R10,500. All Spaza Shop Grant Facility

participants had their remaining R7000 sent into their Nedbank mobi money wallets as early as March 2022. While some, particularly those visited by the Committee, have acknowledged receipt of the remaining sum, others have even contested the initial payment of R3500 purported to have been made in 2020.

- 9.8 During the oversight, the Committee was assured that all payments were made to the recipients on or before 31 March 2022. However, the Committee has conclusively established that information provided by Sefa to Parliament in preparation for the oversight visit to North West contained a number of errors with respect to the beneficiaries of the Spaza Shop Grant Facility programme. For instance, as of 19 May 2023, Mr Allistair Shaun Ferris of VDC Development and Services (Pty) Ltd had only been called by Nedbank to collect the mobi money wallet card. However, the card had no funds at the time of the Nedbank call. Mr. Ferris is adamant that he was never funded but his name was submitted to Parliament as having received R10,500 in March 2022. He confirmed that he has used the same mobile number since submitting his application.
- 9.9 Ms. Tshoganyetso Reginah Kgosiemang of Kgothatso Trading Kgosiemang (Pty) Ltd has never had any interaction with Sefa yet her name is on the list of beneficiaries submitted to Parliament as having received R10,500. Her number has not changed since she filed her application. So is Mr. Lesitang Stephen Mothupi of Lesitang Trading and Enterprise (Pty) Ltd. He claims to have never been funded by Sefa. This is a sampling of purported claimants from the North West province who did not even receive an R3500 preliminary payment in 2020. If this is correct, the Committee is very concerned because, as a state organ, Sefa has number of checks and balances in place e.g. internal audit, audit committee, accounting authority, and so on, that ought to have detected that the management is supplying incorrect information to Parliament.
- 9.10 The Committee takes note of Sefa's report, which concedes that “504 beneficiaries are yet to receive the additional R7 000 in their closed loop purchasing cards” despite having assured the Committee during the oversight that all beneficiaries were paid on or before March 31, 2022. This is regrettable because this concession comes only after Parliament discovered, through its oversight mechanisms, that some spaza shop recipients have not claimed or allocated their remaining R7000 after more than a year.

- 9.11 The Committee noted during the visit that most of the challenges faced by spaza shop owners across the country are almost identical. The owners raised concerns of large retailers encroaching on their space, businesses owned by illegal immigrants, high transportation expenses, criminality, ongoing energy crisis and a lack of customers and financial wherewithal to do bulk-buying. Some were aggrieved that the Somalian store owners, who are not even registered, have the means to purchase in bulk, and hang onto people's SASSA cards—an irregular behaviour that an ordinary South African shop owner cannot even begin to comprehend or implement. Some argue, the government is not quick or responsive enough to tackle these challenges and many others plaguing the sector.
- 9.12 Most of the recipients the Committee interacted with, welcomed the programme. However, they noted that the R3500 allocation was far too small, given that the programme only identified stores and wholesalers in Zeerust, Rustenburg, and Klerksdorp. As a result, store owners in Mafikeng, Lichtenburg, and elsewhere had to pay more for transportation.
- 9.13 The Committee had also intended to meet with Khula Credit Guarantee recipients. The scheme offer lenders (commercial banks and other financial institutions) a selection of credit guarantee packages for SMME borrowers whose access to credit is restricted by the lenders' requirement for collateral. The Committee noted in its preliminary report that Ms. Sindiswa Maome, Mr. Johannes Ramoenyane, and Mr. Amogelang Boipelo Diloane were all unavailable.
- 9.14 Ms. Maome's saga is particularly disturbing because she is listed on Sefa records, including those provided to Parliament, as having been guaranteed for R736,000 under the Portfolio Credit Guarantee although this is not the case. Ms. Maome confirmed that she applied for Covid-19 relief fund but her application was rejected. Sefa's internal controls could not detect this misrepresentation until the Committee undertook oversight visit where it was discovered that, in fact, she is based in Eastern Cape and has never been a beneficiary of Khula Credit Guarantee. To date, the management has made no efforts to apologise to Ms. Maome for the inconvenience this whole debacle may have caused.
- 9.15 The Committee visited several of the projects where Sefa and Seda collaborated very well. In other projects, however, it saw a disconnected working partnership between the two agencies, particularly in the areas of handling funding applications, post-investment support, and monitoring. The difficulty in establishing a seamless and constructive rapport

- between the two organisations demonstrates unequivocally the urgency and necessity of combining the two institutions. In the past, the Portfolio Committee has repeatedly stressed the import for DSBD, Sefa and Seda to execute their respective mandate(s) as a unit or collective. It was therefore unacceptable to the Committee to learn that there is still no two-way referral coordination between Sefa and Seda, or between DSBD and its entities.
- 9.16 The Committee further learnt that while the Spaza Shop Support Programme was directed from the main office, the provincial offices of Sefa or Seda had little or no participation into its implementation. As a result, they were unaware of the location of the projects. Several of the questions were not fully answered by the officials present in the oversight.
- 9.17 The Committee was delighted to travel to the North West province. It has frequently and still condemn uneven distribution of resources away from provinces of Northern Cape and North West. In value terms, the two regions receive minimal attention from the Department, Sefa and Seda. For instance, the majority of Sefa payments are made in Gauteng, followed by Kwa-Zulu Natal and the Western Cape.
- 9.18 As witnessed over many interactions the Committee has had with the Department, the phasing out of grants and/or incentives in favour of concessional loans, blended financing, income-contingent repayments, instalment relief, and/or payment holidays, to mention a few, may have been a good policy for going-concern firms that are able to produce management accounts, financial statements, collateral, and so on. The broad application of this policy approach, however, clearly has repercussions for social enterprises such as co-operatives. The number of co-operatives supported by the Department or Sefa in the preceding fiscal year in North West is unknown. Both Department and Sefa could not provide this information when they were asked to do so in preparation for the oversight.
- 9.19 The role of provincial Seda in at least three initiatives that the Committee visited was incredible. The agency is an active participant in several initiatives, having engaged Service Providers or incubators to build SMMEs and co-operative, it assists with business plans some of which like Blossom Bakery and Distribution (Pty) Ltd were funded by Sefa, and there is evidence that it provides post-investment support to its recipients.
- 9.20 Lastly, spaza shop owners and informal traders have been identified as the most regulated and least protected. They trade illegally due to a lack of licensing. The Committees heard about the difficulties that enterprises face, including strong allegations that illegal

immigrants are permit holders while it takes ordinary South Africans more than a year to secure trading permits. In most situations, informal traders are not given with any identity proving their legal authority to sell their wares, exposing them to further harassment. The Committee conducted a spot check on a container near where the MC Phenyosanzamarona container is situated and quickly determined that it is owned by an undocumented Bangladeshi whose permit expired in 2020. Horizontal and vertical coordination of local, provincial and national sphere(s) of government still poses a major challenge in the delivery of small business services. Skewed imposition of municipal bylaws is still a source of major contention that requires speedy attention from policy authorities.

10. COMMITTEE RECOMMENDATIONS

Based on the summary of key findings and observations, the Committee makes the following recommendations: -

10.1 On the spaza shop support programme -

10.1.1 The Committee has noted the disorderly manner in which the spaza shop support programme was rolled out. It further notes that to date a number of beneficiaries purported to have benefited from the scheme are yet to receive payments more than a year after the disbursement was completed. The Sefa Board of Directors has fiduciary responsibilities governed by the Public Finance Management Act (PFMA). Provisions of the PFMA stipulates that an accounting authority must ensure “effective, efficient, transparent systems of financial and risk management and internal control”. Furthermore, accounting authorities are required to take “corrective action against officials who violate the PFMA”. The board must launch an internal investigation to determine exactly what happened during this programme's implementation, where is the money that is alleged to have been paid to beneficiaries, why recipients were not notified when the R7000 top up was effected, what should those who have lost their mobi money wallet cards do, proposed remedial measures to deal with these problems, and clarification on those who have not been funded at all, where would new funding to settle outstanding claims come from, and so on. The investigation's results must be presented to the Committee by June 30, 2023.

- 10.1.2 The North West revelations were disturbing and the committee believes were merely the top of the iceberg. The suggested internal investigation under 10.1.1 must entail a comprehensive investigation spanning all nine provinces. The Committee will continue to monitor this programme to establish the extent of the problem.
- 10.1.3 Furthermore, it is highly likely that Sefa may have misrepresented facts in the documents it submitted to Parliament. On its part, the Portfolio Committee will solicit legal counsel from the Constitutional and Legal Services Office of Parliament on how to proceed with the matter. Providing incorrect and misleading information to Parliament is a statutory offence in terms of the Powers, Privileges and Immunities of Parliament and Provincial Legislatures Act (2004). The Committee must determine if there was a wilful intent to mislead or incorrect information was erroneously conveyed to Parliament.
- 10.1.4 The Department and Sefa should consider reviving the initiative. The majority of the beneficiaries are pleased with the programme. However, transportation costs for businesses in Mafikeng, Lichtenburg, and elsewhere became too expensive. Retailers and wholesalers in these locations must be identified, or informal traders and spaza proprietors must be compensated for transportation costs.
- 10.2 On wholesale lending -
- 10.2.1 Based on the Committee's observations about how the programme is being handled, such as the alleged rate of interest charged by intermediaries, possible transgression of wholesale lending policies and guidelines, lack of enforcement and consequences, lending to intermediaries with no track record, and doing business with unlicensed credit providers, the Committee has resolved that the Board must launch an independent investigation to determine whether the programme is being carried out within the confines of the law, policies, rules and guidelines that administrates it. As stated in its preliminary report, the Portfolio Committee is concerned about the apparent cloak of secrecy surrounding the administration of intermediaries. It had previously asked investment rules or policies on which the agency would have relied on in admitting intermediaries such as Intellimatch Financial Services (Pty) Ltd, Ezemali Afrika (Pty) Ltd, and others into the MFI/RFI scheme. However, this and many other requests have not been responded to. The planned independent investigation must be launched as soon as possible

in order to complete its work by August 31, 2023, and its results must be presented to the Committee.

- 10.2.2 That said, the above recommendation does not preclude the Portfolio Committee from embarking on its own investigative procedure. The governance of State Owned Entities (SOEs) is vested in Parliament, the Executive, and the Boards of the SOEs. Portfolio Committees have control of SOE service delivery performance due to their engagement in the legislative, budget, and in-year monitoring procedures. As a shareholder, the Executive Authority's corporate governance responsibility entails ensuring that all necessary and appropriate corporate governance structures, procedures, practices, controls, and safeguards are established, properly implemented, and operate effectively in the SOE in question, from the Board of Directors downwards, as well as in respect of the Board's accountability to the shareholder.
- 10.2.3 The Committee, based on the information collected from the recipients is of the view and recommend that Sefa should intensify oversight over intermediaries. It should also consider capping the rate of interest to at least 20 percent and below. The Board should institute its own exploratory enquiry to establish the veracity of the claims that some intermediaries charge fees beyond what is stipulated or allowable in terms of the National Credit Act before the end of quarter one of the current financial year. The findings of which must be presented to the Committee as soon as the investigation is completed – but not later than 30 June 2023.
- 10.2.4 Projects or companies funded by intermediaries, should be considered for a grant portion identical to companies funded by Sefa under direct lending. Sefa Board must explore the practicability or financial implications of extending the same benefit to wholesale funded enterprises.
- 10.2.5 The Board should consider amendments to the policy guidelines to include condition for a dual licensing of the MFIs and RFIs by National Credit Regulator and Financial Sector Conduct Authority (FSCA) as authorised Financial Services Provider (FSP). The NCR licensing process has a weakness in that it concentrates on the entity or company as a juristic person, whereas the FSCA includes both the firm and the individual behind the company. The majority of NCR-licensed businesses are led by directors who do not fulfil

- the 'fit and proper' standard. Licensing is an important component of the regulatory framework and plays an important role in the monitoring value chain.
- 10.3 As noted in the Committee's legacy report of the fifth Parliament, the Department and Sefa lacks appreciation for the role of Stokvels, village banks, and Co-operative Banking Institutions (CBIs) in bridging funding gaps for informal traders, co-operative enterprises, and entities operating in far-flung areas in particular. The agency has not investigated or attempted to bring into the fold the Co-operative Banking Institutions registered, licensed, and regulated by the Co-operatives Banks Development Agency, Companies and Intellectual Property Commission, Prudential Authority, Financial Sector Conduct Authority and Financial Intelligence Centre (agencies of the South African Reserve Bank). These agencies' collective monitoring implies a significantly better governance and risk-based approach to managing public funds. As the CBDA's incorporation approaches, the Department should, in its next quarterly report, brief the Committee on how it intends to strengthen the agency's mandate and the strategy for utilising Co-operative Banks to increase access to finance for SMMEs and Co-operatives.
- 10.4 In addition to the investigations recommended by the Committee, the Committee believes that an immediate and comprehensive engagement with the Department and the Sefa board of directors is required in order to address these and many other issues of concern to the Portfolio Committee. The Portfolio Committee would also request from Sefa all necessary documentation, such as intermediary profile(s), intermediary client profile(s), adjudication process of approving MFIs and RFIs, adjudication meeting minutes, investment committee meetings, and so on, in preparation for this meeting. The Secretariat will communicate the meeting's specifics in due time. However, it should not be later than June 30, 2023.
- . 10.5 In preparation for this engagement, the Committee should also be furnished with the process or procedure followed to approve funding application for Mahikeng Meat Market (Pty) Ltd, the due diligence conducted and explanation of why or how this project was approved without HACCP. Equally, the procedure pursued to approve Ezemali Afrika (Pty) Ltd must also be shared with the Committee.
- 10.6 The Department and entities must broaden their understanding of the projects they support and identify gaps that require intervention in the form of additional funding, infrastructure,

technical assistance, skill development, and training, as well as those that require support from other state organs. Sefa is expected to have known that HACCP compliance is a technical prerequisite before it approves Mahikeng Meat Market (Pty) Ltd's application for credit, and Seda does supply these services. As things stand, if Mahikeng Meat Market defaults, Sefa has no recourse against the company because it participated in reckless lending. The Committee will monitor the Department and quarterly reports to ensure that this recommendation is implemented.

- 10.7 Lifestyle audits are an essential management technique for preventing, detecting fraud and corruption in public service. They also contribute to ensuring that the lives of state employees are commensurate with their remuneration. In April 2021, the government established and approved mandatory guidelines for all audits of public officials in national and provincial departments, as well as state-owned enterprises. In its next quarterly report to Parliament, the Department must specify when it expects to commence this process.
- 10.8 The Committee is concerned about registration and licensing of small enterprise trading as informal traders, food vendors and street traders etc. Everywhere the Committee visits, it encounters the same problem. The Committee has, on a number of occasions, identified the root as the incongruity between the municipal bylaws and the Business Act. The Department must expedite the processing of the Business Amendment Bill and refer it to Parliament before the end of the first quarter of the financial year 2023/24. If this is not possible according to the project plan presented to the Committee, the Department must submit a revised project plan with reasons for the failure to finalise processing of the bill as soon as possible.
- 10.9 On Vlaarmuis Tuckshop, the project should be considered for support when the next window reopens. It is necessary to clarify the areas of partnership between Sefa and intermediaries. Both should not be considered as competing for clients. Intermediaries must be positioned to provide technical assistance in areas where Sefa lacks expertise.
- 10.10 Lonaka Projects Group requires recapitalisation in order to operate beyond the breakeven point. The Committee is confident that with proper recapitalisation the project will quickly improve its operating profit margins and make regular payments to Sefa. The Portfolio Committee is in agreement that it is a kind of project that requires scale to be profitable.

- 10.11 On Beake Engineering (Pty) Ltd the Committee is directing the Department to look into the issue of the lease duration. The Department must investigate the possibility of extending the lease agreement to 30 years as the owners have requested.
- 10.12 While the matter concerning ActivTask (Pty) Ltd, trading as Vincy CyberCafe, the present whereabouts of the industrial printer is unknown. Sefa must establish its location. The agency should further draft a report outlining how it plans to resolve the matter.

Unless otherwise indicated, responses to the above recommendations should be submitted to the National Assembly by no later than three months after the adoption of this report by the National Assembly.

Report to be considered.